

## Proposed Financial Metrics

To assist in the determination of the ability of a company to self-insure, a series of financial criteria was developed for two broad segments within the Exploration and Production (E&P) industry. We define an E&P company as those engaged in exploring for, acquiring, developing and producing oil and natural gas assets.

The first set of criteria (Table 1) was designed for the independent E&P companies. An independent E&P company is one that primarily engages in upstream (exploration and production) and is not integrated or involved in downstream activities such as refining or marketing.

The second set of criteria (Table 2) addressed companies within the integrated E&P sector. An integrated E&P company is one that has operations ranging from upstream to downstream and in some cases midstream (pipelines and transportation, including LNG and oil shipping) and chemicals.

A representative group of companies was established for the two segments. The top and bottom quartiles of the financial metrics for each segment are presented in the tables below.

If you wish to apply for self-insurance, BOEM will require your most recent audited financial report (not more than 12 months old). At a minimum, the audited financial report should include financial and reserve data to assess the metrics presented and defined in the [Financial Ratio Definitions](#) document.

For companies that do not fall into either of the two broad segments noted above (i.e. pure pipeline and transport companies, financial/insurance companies, etc.), BOEM will review the entity's ability to meet its financial obligations on a case-by-case basis.

If you are found eligible for self-insurance you will be allowed to self-insure up to a maximum of 10% of your Tangible Net Worth.

Table 1: Financial Criteria for Independent Companies

Independent Companies	Top Quartile	Bottom Quartile
<b>Performance</b>		
▪ EBITDA Margin (EBITDA/Revenue), [Ratio]	0.85	0.56
▪ Return on Assets (Net income/Total Assets), [%]	8.10	3.20
▪ Cash Flow from Operations/CAPEX, [Ratio]	0.88	0.66
<b>Leverage</b>		
▪ Total Debt/Capital, [Ratio]	0.25	0.43
▪ Times Interest Earned (EBIT/Interest), [Ratio]	16.00	5.70
▪ Total Debt/Average Daily Production Value, [Ratio]	125	172
▪ Total Debt/Proven Reserves Value, [Ratio]	0.06	0.10
▪ Total Proved Reserves Value/Asset Retirement Obligations, [Ratio]	188	64
<b>Liquidity</b>		
▪ Current Ratio (Current Assets/Current Liabilities), [Ratio]	1.49	0.78
▪ Cash Flow from Operations/Current Liabilities, [Ratio]	1.68	1.00

Table 2: Financial Criteria for Integrated Companies

Integrated Companies	Top Quartile	Bottom Quartile
<b>Performance</b>		
▪ Total Revenue, [\$ Million]	\$282,800	\$25,500
▪ Total Equity, [\$ Million]	\$108,000	\$23,400
▪ Return on Capital, [%]	9.3	4.7
▪ Intangible Assets/Revenue, [Ratio]	0.01	0.08
▪ Gross Margin (Gross Profit/Revenue), [%]	40.5	18.5
<b>Leverage</b>		
▪ EBITDA Interest Coverage, [Ratio]	44.00	12.75
▪ Net Debt to EBITDA, [Ratio]	0.66	1.33
<b>Liquidity</b>		
▪ Basic Defense Interval (Current Assets/Daily Operational Expense), [Days]	156	34
▪ Asset Turnover, [Ratio]	1.04	0.57
▪ Payables/Receivables, [Ratio]	1.54	1.06